Saskatchewan
Finance

Annual Report 2004

Extended Health Care Plan For Retired Employees

Saskatchewan Centennial 2005

TABLE OF CONTENTS

Letters of Transmittal 2

Introduction 4

Participating Employers 4

Administration 4

Funding 4

Benefits 4

Management's Report 5

Financial Statements

- Auditor's Report 8
- Statement of Financial Position 9
- Statement of Operations and Net Assets 10
- Statement of Cash Flows 11
- Notes to the Financial Statements 12

Saskatchewan
Finance

Her Honour, The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

Dear Madam:

Letter of Transmittal

I have the honour to transmit herewith the third Annual Report of the Extended Health Care Plan for Retired Employees for the year ending December 31, 2004.

I have the honour to be, Madam,

Your obedient servant,

Harry Van Mulligen
Minister of Finance

Saskatchewan
Public Employees
Benefits Agency

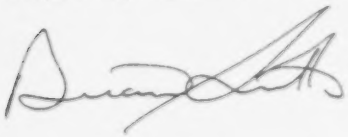
The Honourable Harry Van Mulligen
Minister of Finance
Regina, Saskatchewan

Sir:

Letter of Transmittal

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the third Annual Report of the Extended Health Care Plan for Retired Employees for the year ending December 31, 2004.

Respectfully submitted,



Brian Smith
Executive Director

Extended Health Care Plan For Retired Employees

Introduction

The Extended Health Care Plan for Retired Employees was established on January 15, 2002.

The Fund is used to account for the transactions of the Extended Health Care Plan for Retired Employees which provides health care benefits to eligible retired employees of the Government of Saskatchewan.

As at December 31, 2004, participation in the Plan has been approved by the Lieutenant Governor in Council for all government organizations whose employees are employees of the Government of Saskatchewan as defined under *The Public Service Act* and who are members of PS/GE SGEU or CUPE 600-3.

Participating Employers

The following employers participate in the Extended Health Care Plan for Retired Employees:

With respect to individuals who are, or who immediately prior to the termination of their employment were, members of the Saskatchewan Government and General Employees Union:

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
Children's Advocate (Office of the)
Farm Land Security Board
Horned Cattle Fund
Information and Privacy Commissioner (Office of the)
Milk Control Board
Ombudsman (Office of the)
Prairie Diagnostic Services
The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*
Saskatchewan Archives Board
Saskatchewan Municipal Board

With respect to individuals who are, or who immediately prior to the termination of their employment were, members of the Canadian Union of Public Employees, Local No. 600-3:

The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*

Administration

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act, 1993* for the purpose of providing benefits under the Plan. A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

Group Medical Services provides insured extended health coverage to eligible retirees.

The Plan pays a premium subsidy to Group Medical Services on behalf of PS/GE SGEU retirees. The Plan's risk is limited to the payment of the monthly premium subsidy as follows:

Single	$10.00	per month
Couple	$20.00	per month
Family	$25.00	per month

Funding

Effective October 1, 2002 funding for the Plan became employer paid at a rate of .25% of straight time annual payroll.

Benefits

A retiree is eligible for benefits immediately following retirement. Claims are paid on behalf of all family members and covers certain health and vision care benefits.

MANAGEMENT'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

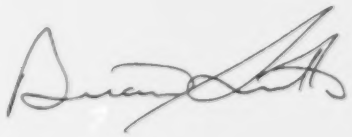
As members of management of the Extended Health Care Plan for Retired Employees, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Extended Health Care Plan for Retired Employees has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

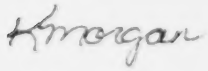
A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

We enclose the financial statements of the Extended Health Care Plan for Retired Employees for the year ended December 31, 2004 and the Provincial Auditor's report on these financial statements.



Brian Smith
Executive Director
Public Employees Benefits Agency

Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency



Kathy Morgan
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
February 11, 2005

EXTENDED HEALTH CARE PLAN FOR RETIRED EMPLOYEES

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

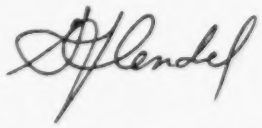
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Extended Health Care Plan for Retired Employees as at December 31, 2004 and the statements of operations and net assets, and cash flows for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan
February 11, 2005

Fred Wendel, CMA, CA
Provincial Auditor

EXTENDED HEALTH CARE PLAN FOR RETIRED EMPLOYEES
STATEMENT OF FINANCIAL POSITION

STATEMENT 1

AS AT DECEMBER 31

	2004	2003
ASSETS		
Due from General Revenue Fund (Note 3)	$2,011,835	$1,108,771
Employer contributions receivable	-	69,585
	$2,011,835	$1,178,356
LIABILITIES		
Accounts payable (Note 5)	$ 10,383	$ 2,432
Net assets (Statement 2)	$2,001,452	$1,175,924

(See accompanying notes to the financial statements)

EXTENDED HEALTH CARE PLAN FOR RETIRED EMPLOYEES
STATEMENT OF OPERATIONS AND NET ASSETS

STATEMENT 2

FOR THE YEAR ENDED DECEMBER 31

	2004		2003
	Budget (Note 6)	Actual	Actual
REVENUES			
Employer contributions (Note 1)	$ 980,000	$ 882,626	$ 964,618
Interest (Note 3)	39,000	33,723	16,703
	1,019,000	916,349	981,321
EXPENSES			
Insurance premium subsidy	$ 81,000	$ 72,320	$ 16,794
Administration (Note 5)	15,225	18,501	5,024
	96,225	90,821	21,818
Surplus for the year	922,775	825,528	959,503
NET ASSETS, BEGINNING OF YEAR	1,175,924	1,175,924	216,421
NET ASSETS, END OF YEAR – to Statement 1	$2,098,699	$2,001,452	$1,175,924

(See accompanying notes to the financial statements)

EXTENDED HEALTH CARE PLAN FOR RETIRED EMPLOYEES
STATEMENT OF CASH FLOWS

STATEMENT 3

FOR THE YEAR ENDED DECEMBER 31

	2004	2003
Cash flows from operating activities:		
Employer contributions received	$ 952,231	$ 999,675
Interest received	33,723	16,703
Insurance premium subsidies paid	(72,320)	(17,842)
Administration expenses paid	(10,570)	(2,591)
Net increase in cash position	903,064	995,945
DUE FROM GENERAL REVENUE FUND, BEGINNING OF YEAR	1,108,771	112,826
DUE FROM GENERAL REVENUE FUND, END OF YEAR	$2,011,835	$1,108,771

(See accompanying notes to the financial statements)

EXTENDED HEALTH CARE PLAN FOR RETIRED EMPLOYEES
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2004

1. Description of the Plan

The Extended Health Care Plan for Retired Employees (Plan) was established on January 15, 2002 pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to eligible retired employees of the Government of Saskatchewan who were members of either the Saskatchewan Government and General Employees' Union (PS/GE SGEU) or the Canadian Union of Public Employees', Local 600-3 (CUPE).

The Public Employees Benefits Agency (PEBA) manages the Plan under direction from the Joint Board of Trustees. The Joint Board of Trustees is made up of equal representation of union members and employers' representatives.

The Government through the Minister of Finance entered into an agreement with Group Medical Services (GMS) to provide eligible retirees with extended health coverage. The agreement with GMS expires on December 31, 2005. The retiree is responsible to pay GMS the premium set out in the agreement less a premium subsidy which is paid by the Plan. Currently, only retired PS/GE SGEU members are eligible for the premium subsidy from the Plan. The Plan's risk is limited to the payment of a monthly premium subsidy to GMS for eligible retired PS/GE SGEU members. The monthly premium subsidy is $10.00 (2003 - $4.00) for a single policy, $20.00 (2003 - $6.00) for a couple policy and $25.00 (2003 - $10.00) for a family policy.

The Plan is funded by employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The contribution rate set out in the PS/GE SGEU collective bargaining agreement with the Government is 0.25% of the regular pay of current PS/GE SGEU employees. Currently, the Plan receives no contributions for retired CUPE members and does not pay any premium subsidies for these retirees.

On November 30, 2004, the Government and PS/GE SGEU signed a new collective bargaining agreement. The agreement provides for an additional $6,900,000 in employer funding to the PS/GE SGEU Benefit Plans' Surplus Fund of the Extended Health Care Plan. Included in this amount is $900,000 of employer contributions from December 1, 2004 to December 1, 2005 that the Government and PS/GE SGEU decided to divert from the Extended Health Care Plan for Retired Employees to the PS/GE SGEU Benefit Plans' Surplus Fund.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

3. Due from General Revenue Fund

The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's thirty day borrowing rate, and the Plan's average daily bank account balance. The Government's average thirty day borrowing rate in 2004 was 2.20% (2003 – 2.87%).

4. Financial Instruments

The Plan's financial instruments include employer contributions receivable and accounts payable. Due to the immediate or short-term nature, the fair value of these instruments approximates carrying value.

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

All employer contributions and employer contributions receivable are from related parties.

In 2004, PEBA charged the Plan $18,501 (2003 – $5,024) for administration. Included in accounts payable is $10,363 (2003 – $2,432) due to PEBA.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

6. Budget

PEBA prepares the budget for approval by the Joint Board of Trustees.